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Mary L. Cottrell
Secretary
Department of Telecommunications and Energy
One South Station
Boston, Massachusetts 02110

Re: D.T.E. 05-45 - Petition of Cambridge Electric Light Company's Proposed Increase in its Transition Charge
Comments of The Energy Consortium

Dear Secretary Cottrell

As counsel representing The Energy Consortium[1], I am pleased to offer comments urging the Department of Telecommunications and Energy ("Department") to reject the proposed increase in the transition charge filed by Cambridge Electric Light Company ("Cambridge") in the above captioned proceeding.

While The Energy Consortium does not quarrel with the calculation of the amount of the Transition Charge, we take strong issue with the manner in which the Company proposes to recover it. As filed, Cambridge proposes to increase its currently approved transition charge by 362.5% to avoid an undercollection currently estimated at $22.2 million by the end of 2005. To avoid the undercollection, Cambridge seeks approval of the 362.5% increase in its current transition charge which would "avoid a significant rate shock in 2006". May 24, 2005 Letter of Robert Werlin on behalf of Cambridge, p. 2. Apparently, Cambridge fails to see the irony of proposing a 362% increase in order to avoid "rate shock".

[1] Members endorsing this letter include President and Fellows of Harvard College ("Harvard"), Massachusetts Institute of Technology ("MIT"), Novartis Institute for Biomedical Research ("Novartis"), Rowland Institute and Whitehead Institute.

The proposed transition charge would have immediate and substantial impact on members of The Energy Consortium if implemented as requested on July 1, 2005. Based on the information supplied in the tariff filing, Harvard estimates the annual impact of the proposed charge at approximately $2 million; MIT estimates the impact at approximately $1 million and Novartis at approximately $400,000. Depending on the customer, this represents an increase of approximately 20% or more in total NSTAR charges. An increase of this magnitude, coming as it does in the middle of the year with no advance warning, wreaks havoc on the budget process under which all large businesses must operate. Indeed, it is difficult to envision a more serious violation of the principle of rate continuity.

There can be no dispute that the Department has consistently upheld the importance of rate continuity. For example, in Boston Gas Company d/b/a Keyspan Energy Delivery New England, the Department limited increases between rate elements in a class as long as no rate increase component increases by more than the rate of inflation. D.T.E. 03-40, p. 503. (2003). Surely, the proposed 362.5% increase is substantially more than the cost of inflation for a charge which has been monitored and adjusted on an annual basis. Similarly in other rate case proceedings, the Department has capped increases in revenue requirements to any single class at 6% in the interest of continuity. See *e.g.*, Bay State Gas Company, D.P.U. 92-11, p. 319 (1992). Cambridge's proposed increase would far exceed this standard.

The proposed transition adjustment is heavily weighted to collect the increased revenues from large commercial users. The G-1 class revenues will increase by over $2 million, The G-2 class revenues will increase by almost $4 million. The G-3 class increases by almost $4.5 million. Exh. CAM-HCL-2, p. 1 of 23. This is an increase over the base rate increase approved by the Department in 1999 related to the merger of Boston Edison Company ("BECo"), Cambridge and Commonwealth Electric Company which otherwise called for a four year base rate freeze. Joint Petition of Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company and Commonwealth Gas Company, D.T.E. 99-19 (1999). It also comes at a time when Standard Offer Service has expired and wholesale prices are expected to increase.

In this context, Cambridge's proposal for a huge and sudden rate increase is particularly unreasonable. Moreover, Cambridge fails to offer any compelling reason to recover outstanding transition costs over such a short period of time. This is not a situation where Cambridge faces ever increasing volatility in its variable transition costs such that a huge increase is necessary now to forestall increasingly large deferrals. To the contrary, Cambridge's filing demonstrates that the large increase in variable transition costs is a one year phenomenon. The variable component of the Transition Cost does increase substantially in 2005. However, the very next year, it decreases by more than 50%. Two years after that, the variable component decreases to less than 10% of the 2005 value. By 2011, the variable component is less than 1 million dollars (four-tenths of one percent of the 2005 value) and stays in that range for the next ten years. Exhibit CAM-CLV-1 (Update 2005), Page 4 of 8, Column K.

Thus, after 2005, Cambridge faces rapidly declining transition costs. Such circumstances seems tailor-made for a more gradual recovery of transition costs. What is particularly perplexing is that both BECo and Commonwealth recently requested and received Department approval relating to the issuance of rate reduction bonds. Petition of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric, D.T.E. 04-70 (2005). This is certainly one mechanism to spread the recovery of transition costs over a longer period of time at a reasonable cost with assured recovery for the Company. It is not clear why NSTAR Electric did not choose to include Cambridge in its proposed securitization of transition costs. We do note that the filing made by BECo regarding its transition costs on May 24, 2005 proposed a reduction in its current transition cost charge to avoid an overcollection of approximately $69 million. Boston Edison Company d/b/a/ NSTAR Electric, D.T.E. 05-44, May 24, 2005 Letter of Robert Werlin on behalf of BECo. Commonwealth is proposing no increase in transition charges. See June 6, 2005 Letter of Robert Werlin on behalf of Commonwealth Electric Company and attached bill analyses. The contrast with Cambridge is striking. A decrease for BECo customers; no increase for Commonwealth customers; and a 365.5% increase for Cambridge customers.

Clearly, there are alternatives open to Cambridge, like securitization, that can insure full recovery yet prevent the dramatic increase proposed by Cambridge in this docket and avoid the rate shock to its customers beginning next month. The Energy Consortium urges the Department to reassess Cambridge's proposal in this proceeding and mitigate the proposed impact to the Cambridge customers who after all are part of the NSTAR Electric family. If securitization is no longer an option for Cambridge, the Department should at the very least require Cambridge to substantially reduce the proposed increase in the interests of continuity and spread the collection of the deferred transition charges over a far longer term than the proposed eighteen months set forth in this tariff filing. Cambridge would still be made whole if the collection is spread over a longer time period but the otherwise sudden and massive rate increase would be mitigated for its customers.

Respectfully submitted,

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cc: Service List